



Director of
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IRAN-IRAQ: Stalemate Continues

(Information as of 2300 EDT)

//Iran apparently launched the second phase of its offensive on Saturday but was unable to achieve any significant gains. Tehran warned the Arab states in the Persian Gulf yesterday against continued military support for Iraq. Moscow may pull a large number of advisers out of the Al Basrah area.//

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the Iranians remain about 2 kilometers inside Iraq, and both sides are digging in around the Iranian penetration. Additional Iraqi armor, infantry, and artillery are arriving in the battle area.//

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Comment: //Iran now has launched three major assaults against Iraqi lines with only minimal gains. Iranian commanders will have to rethink their strategy soon, perhaps shifting their attacks to the northwest area of the Al Basrah front or along the Shatt al Arab. Iraqi units in the battle area are fatigued after six days of heavy fighting, however, and their positions are being gradually eroded by the continuing Iranian attacks.//

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Iranian Warning

Iranian assembly speaker Rafsanjani warned yesterday that "if truckloads of arms continue to go to Iraq, then Iran will have the right to an appropriate response."

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Comment: //Rafsanjani's warning probably was directed against Kuwait, which is the unloading point for Soviet arms destined for Iraq. The Kuwaitis are unlikely to curtail transshipments to Iraq unless the Iranians launch

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a major air assault against Kuwait or win a clear victory at Al Basrah. Iran already has staged limited airstrikes against Kuwait three times during the war--the last time in October 1981--but these had little impact on Kuwaiti policy.//

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On Friday, Kuwait increased oil production to nearly 1 million barrels per day--almost 200,000 barrels per day above its OPEC ceiling--to permit increased shipments of petroleum products to Iraq

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ISRAEL-LEBANON: Intermittent Firing

//The cease-fire continues to hold, although there were sporadic incidents of sniper fire and rocket attacks in Beirut and eastern Lebanon. The Israeli cabinet met yesterday and repeated its concern about the slow pace of the negotiations.//

An Israeli defense spokesman yesterday reported sporadic incidents of sniper fire and rocket attacks on Israeli forces around Beirut and in the Bekaa Valley over the weekend. He said that Israeli forces would continue to observe the cease-fire but would return any fire.

//The spokesman also emphasized that Palestinian attacks on Israeli forces in the Bekaa are emanating from Syrian-controlled areas and that Syrian intelligence officers are briefing those units before they carry out a raid. He said at least 40 attacks have occurred since 20 June, adding that he did not know "how much longer this will be accepted.//"

Comment: *//The Israelis are carefully cataloging all incidents they consider cease-fire violations in the event they decide to move against the Palestinians in Beirut or the Syrians in the Bekaa.*

the Israelis would welcome a Syrian action in eastern Lebanon because Israel could then accomplish its "objectives in that part of the country," which appear to be complete Syrian evacuation rather than a limited presence in the Bekaa.

Israeli Cabinet Meeting

The Israeli cabinet met yesterday and was briefed on Lebanon. According to press accounts, the members agreed that the negotiations were stalled and that the PLO was simply playing for time.

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Comment: The press accounts of the cabinet meeting follow closely Prime Minister Begin's remarks at a pro-government rally this weekend that the PLO has less than 30 days to leave Beirut. The public remarks are probably intended to remind the US, prior to the visit of the Syrian and Saudi Foreign Ministers to Washington this week, of Israel's concern that negotiations not be drawn out indefinitely. []

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Nonaligned Meeting

The nonaligned movement concluded its meeting on the Lebanon crisis with a communique that condemns Israel but contains relatively mild criticism of the US. Nonaligned moderates, led by Egypt, India, and conference host Cyprus, thwarted an attempt by Syria, Iran, and Argentina to insert a call for mandatory sanctions against the US. []

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[] the moderates were motivated by a desire not to handicap US mediation efforts in the conflict. The conference also established a nine-member mission headed by Cuba, currently chairman of the nonaligned movement, to visit Beirut and report on Israeli "atrocities." []

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Comment: The communique's low key criticism of the US reflects the growing influence of the moderates. They have spent months organizing to dislodge radicals from the movement's leadership. []

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JAPAN: Overseas Investment

//Japanese overseas investment increased substantially during the fiscal year ending 31 March 1982. The record outlays reflected the completion of several large raw material development projects in Asia and Latin America and an effort to appease Western trading partners by locating production facilities in overseas markets, particularly in the US and the UK. Loans to subsidiaries faced with high interest rates abroad also played a major role.//

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Comment: //The growth in overseas investment is likely to slow this year. The recent depreciation of the yen will make outlays more expensive, and the soft market for raw materials has made many development projects less attractive. Investment in manufacturing facilities in the US, however, probably will continue to expand, in order to reduce protectionist sentiment.//

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